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PARTISANSHIP, REGRESSIVE TAXATION AND THE WELFARE STATE

This article revisits the paradoxical relationship between regressive taxation and welfare state generosity. In recent decades, comparative political economists have identified the role that regressive taxes, in particular the value-added tax (VAT), played in helping governments secure the financial resources necessary to expand and maintain the welfare state. Regressive taxes have a strong revenue-raising power that other taxes lack and are lenient on capital, therefore unlikely to cause capital flight. In this article, we advance the discussion on the regressive tax-welfare nexus by examining the role of partisanship. We argue that the link between regressive taxes and welfare state generosity is highly conditional on partisanship, with leftist governments disproportionately devoting the proceeds of regressive taxation to welfare, whereas right-leaning governments pursue different policy priorities. We run panel data analyses covering 21 OECD countries over more than three decades. Our results show that the VAT rate, our proxy for regressive taxation, is only positively associated with welfare state generosity under leftist governments. To check the robustness of our findings, we examine whether different regressive taxes may act as substitutes for the VAT. We rerun our analysis with a newly constructed encompassing measure of taxes on poorer citizens that is sensitive to multiple interrelated tax indicators and find that our results hold.

TIME

Monday, March 13, 2023
12:00PM-1:20PM

ZOOM DETAILS

Meeting ID: 970 1155 2361
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